

Summary of Postal Privatization in Europe & Key Lessons

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Rutgers Workshop on Postal Reorganization

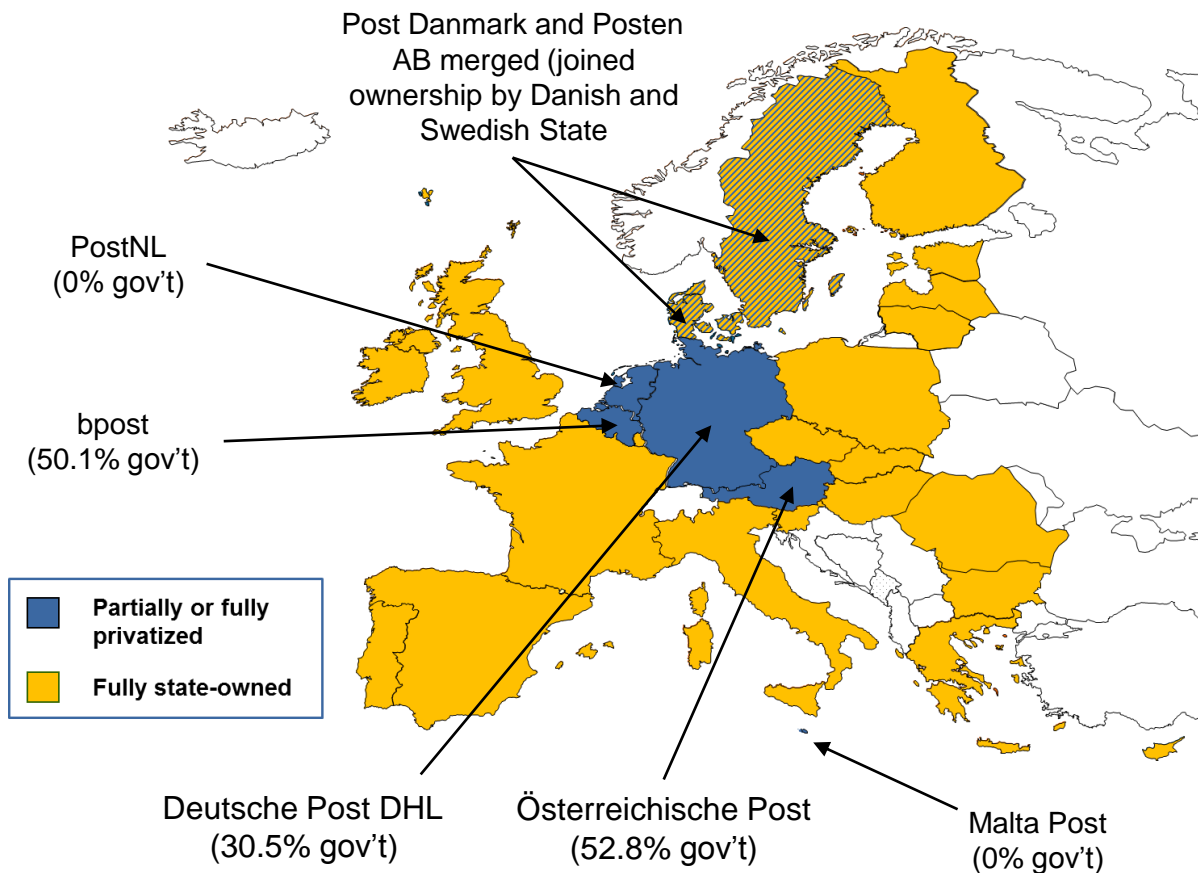
Washington, D.C., 6 April 2012

Who is WIK?

- WIK ('Scientific institute for infrastructure and communication services')
 - Independent research institute, owned by the German government
 - ~ 40 consultants/researchers
 - 30 years of experience with economic regulation and sector policies
 - Telecommunications, postal and energy markets
- WIK-Consult is a 100% subsidiary of WIK
 - Consultancy specialised in regulated industries, founded in 2001
 - ~ 60% of revenue from customers outside Germany

Corporatization and Privatization in the EU

All EU public operators are corporatized, some are privatized



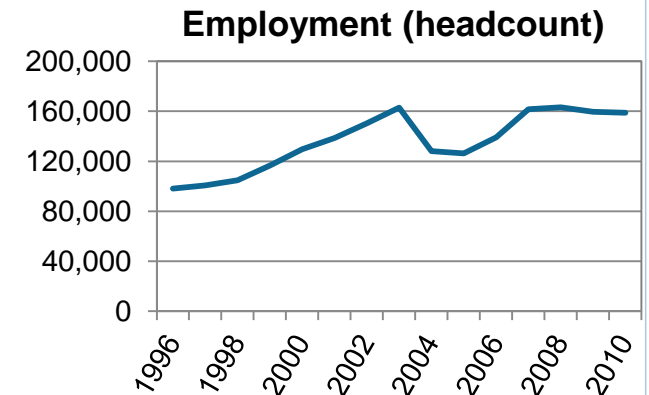
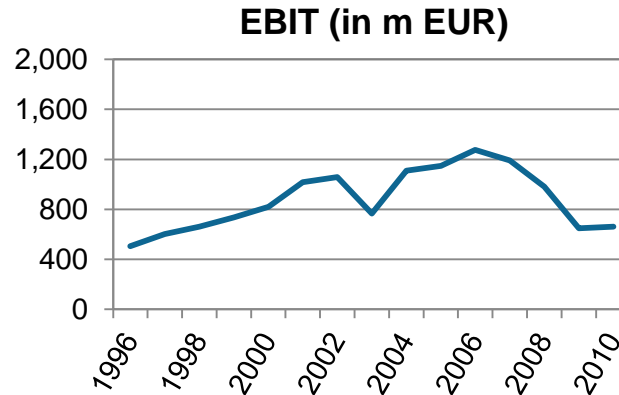
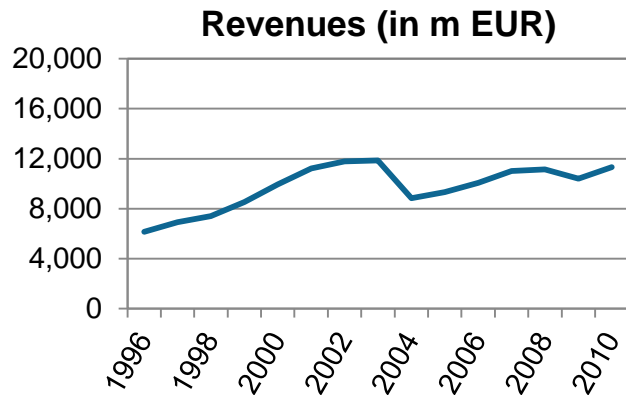
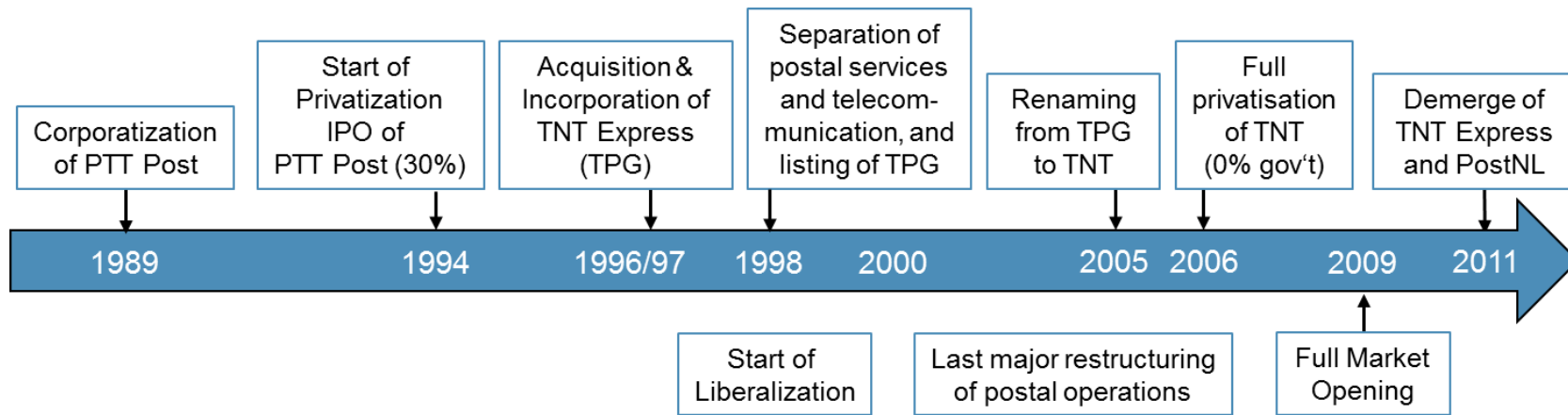
Corporatization: Transform state post into a company under normal commercial law (usually a plc)

Privatization: Sell equity in state post to third parties (strategic investors or list at stock exchange)

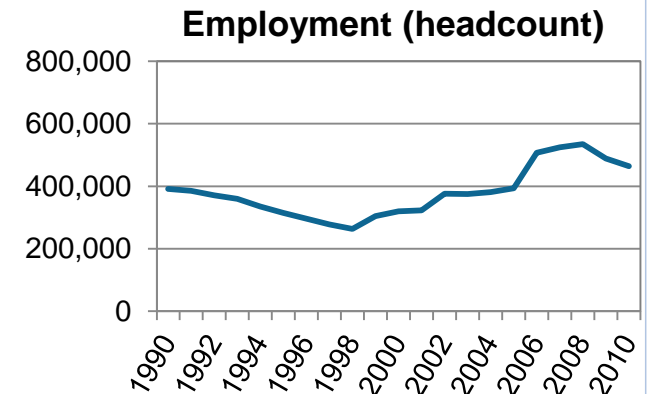
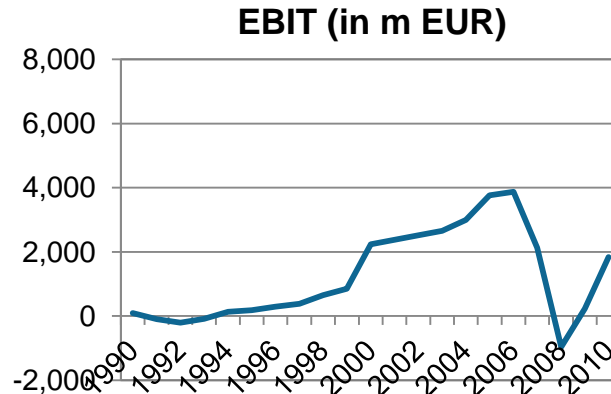
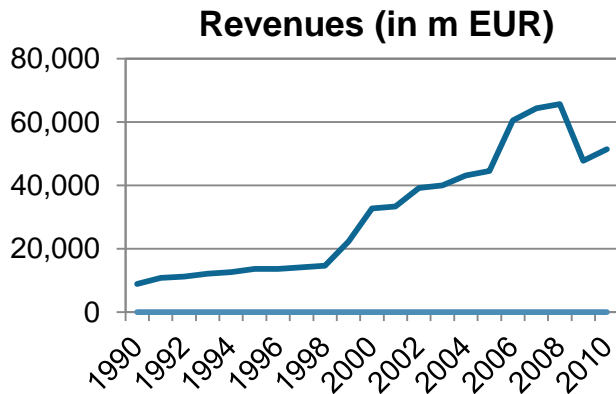
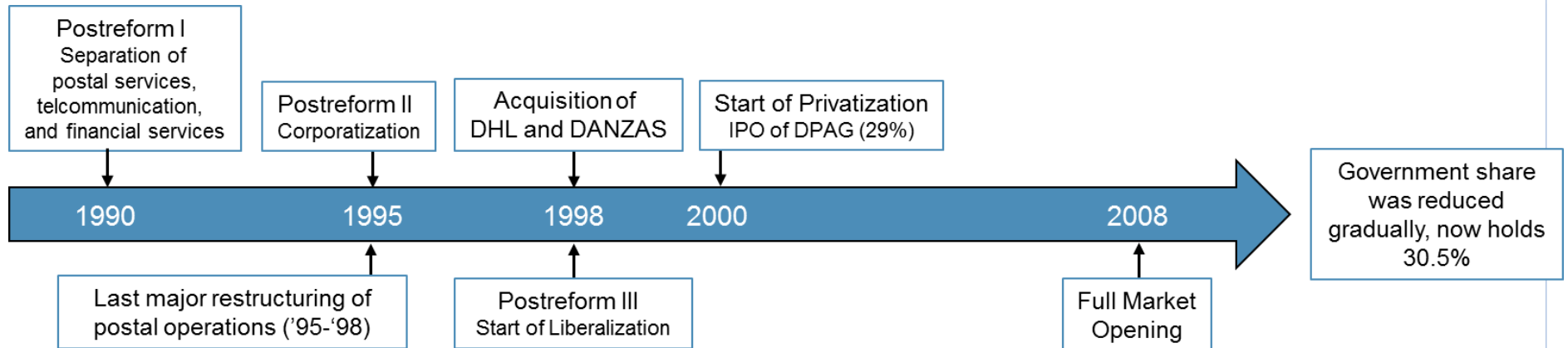
Goals of privatization:

- Enhance profitability and end or limit subsidies
- Promote efficiency of operations
- Enable the post to respond faster to market changes

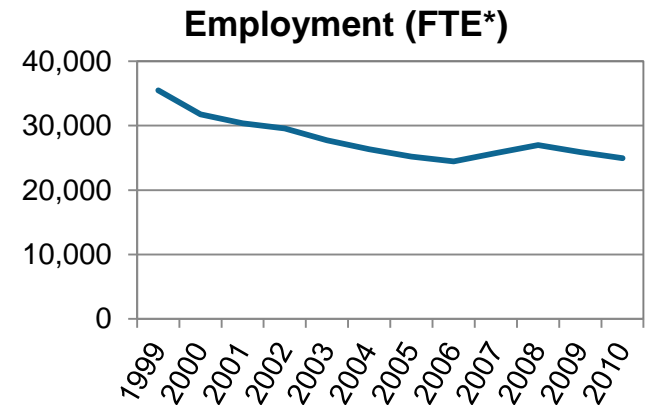
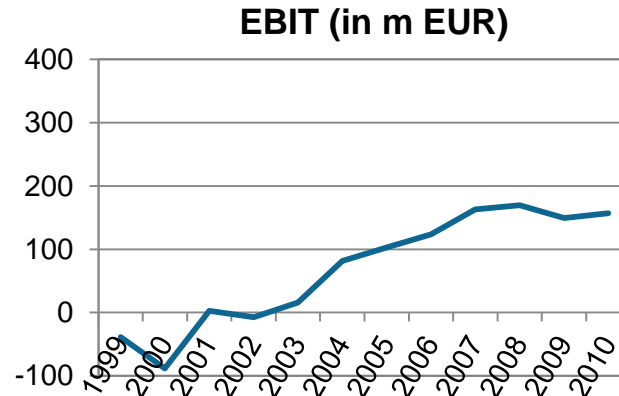
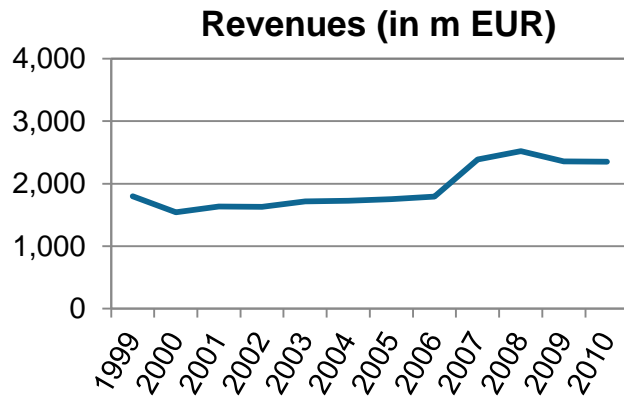
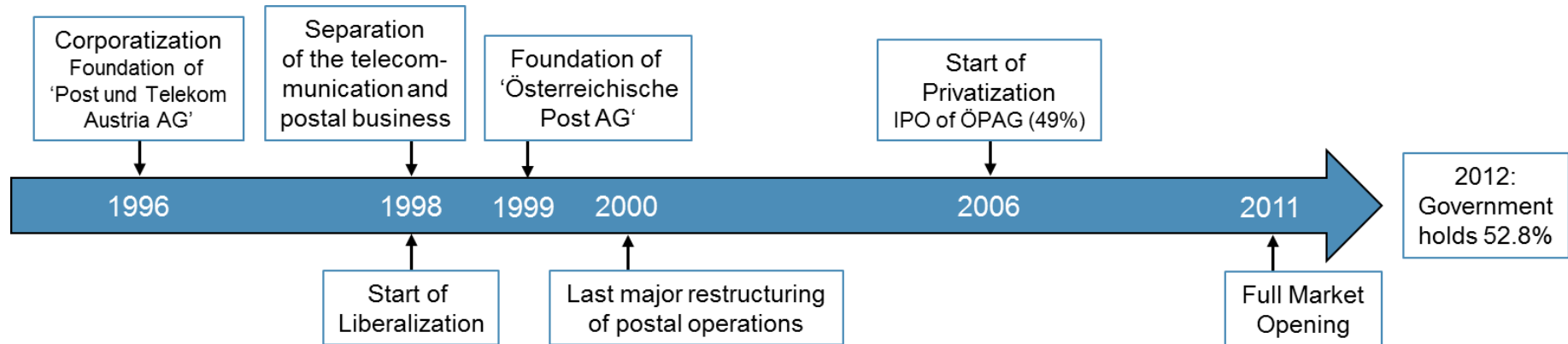
Privatization of PostNL (Netherlands)



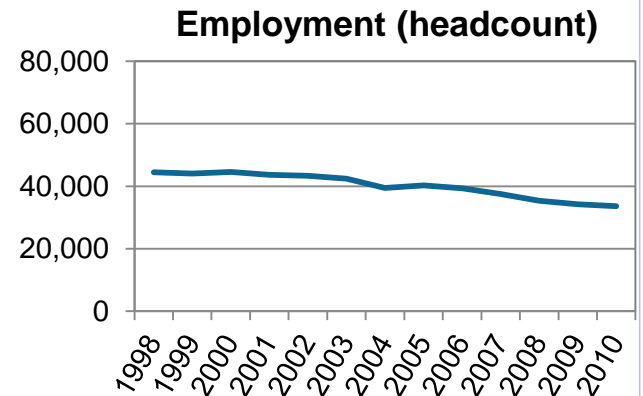
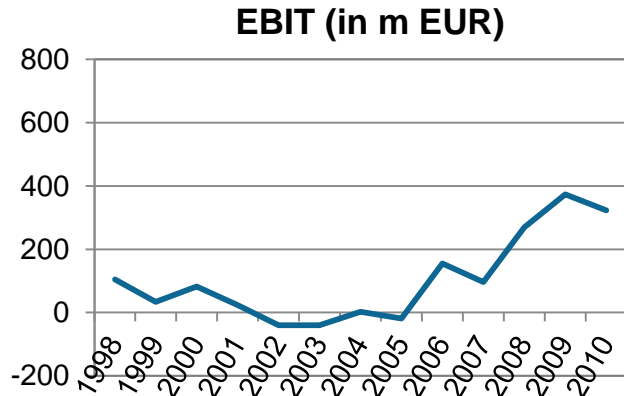
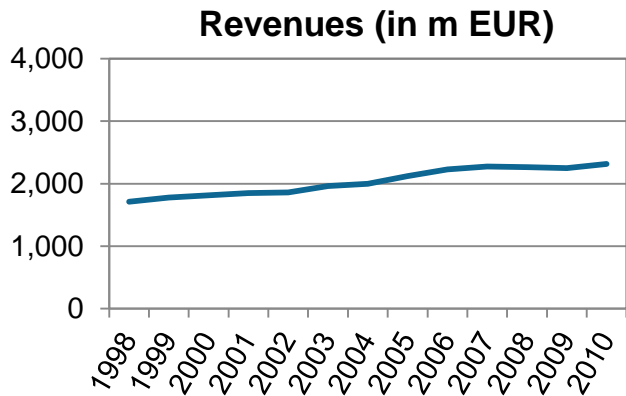
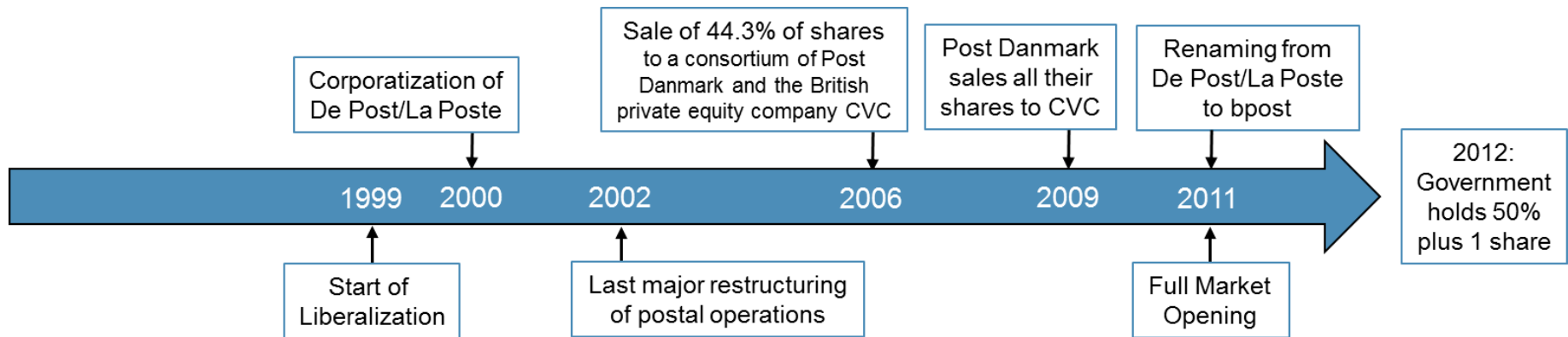
Privatization of Deutsche Post DHL (Germany)



Privatization of Österreichische Post (Austria)



Privatization of bpost (Belgium)



Effects of Privatization

Effects on post

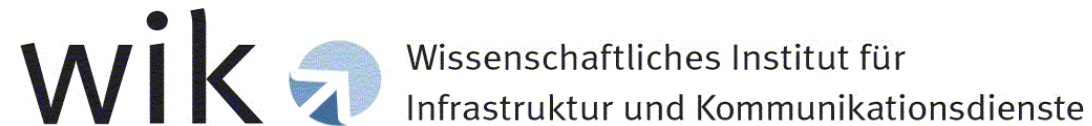
- Commercial business objectives
- Greater commercial flexibility
 - Financing: Access to capital markets
 - Expand into other products/markets
 - Labor relations like any large enterprise (but not government)
 - Buying: no need to comply with public procurement regulations
- Management motivated better with private sector salaries & bonuses
- Accountability & risk of failure

Effects on government

- Reduced direct control over postal operations
- Concentrate on political objectives for postal legislation, not commercial
- Privatization is opportunity to take stock (and transfer ‘excessive’ historical liabilities to government)
- Different role for postal legislation
 - Universal service: ensure all population is served at defined quality standards
 - Price regulation: Control market dominance & possible abuse

European Experience with Privatization

- All privatized posts
 - modernized their operations & network substantially
 - became more profitable
 - sought new business lines
 - maintained universal service (as was required)
 - Reduced employment in core business, but without mandatory redundancies
- Some privatized posts expanded into foreign markets – mixed results (Deutsche Post, TNT)
- Privatized posts stress massive change of corporate culture
 - Clearer service attitude & focus on (large) customers
 - Profit contribution key measure of success on all management levels
- Two models of privatization
 - IPO / list post at stock exchange
 - Strategic investors (pursued by smaller posts)
- Privatization seen as a success in all four countries



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